

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 IO-13 AF-10 ARA-10 EA-10 EUR-12 NEA-11
OIC-02 JUSE-00 /169 W
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R 181421Z MAY 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 9787
INFO AMEMBASSY OSLO
AMCONSUL HONG KONG

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PASS STR ELECTRONICALLY FOR MIKE SMITH

E.O. 11652: N/A
TAGS: ETRD, GATT, NO, HK
SUBJECT: GATT COUNCIL: HONG KONG ARTICLE XXIII:2
COMPLAINT AGAINST NORWAY ON TEXTILES

1. AT GATT COUNCIL MEETING MAY 17, HONG KONG DEL RAISED,
UNDER AGENDA ITEM "OTHER BUSINESS," ARTICLE XXIII:2 COM-
PLAINT AGAINST NORWAY FOR RESTRAINTS ON TEXTILE IMPORTS
FROM HONG KONG.

2. HONG KONG DEL (TSAO) OUTLINED BACKGROUND OF COMPLAINT
AS FOLLOWS: UNTIL 31 DECEMBER 1977 HONG KONG RESTRAINED
EXPORTS OF TEXTILE PRODUCTS TO NORWAY IN ACCORDANCE WITH
TERMS OF A BILATERAL AGREEMENT UNDER THE MFA. IN
DECEMBER 1977 HONG KONG AND NORWAY HELD CONSULTATIONS
UNDER THE MFA TO NEGOTIATE A NEW BILATERAL. NORWAY,
HOWEVER, DEMANDED AN UNACCEPTABLE CUTBACK IN TEXTILE
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EXPORTS FROM HONG KONG AVERAGING 40 PERCENT FROM 1976
LEVELS WITH REDUCTIONS IN SOME CATEGORIES AS HIGH AS 77
PERCENT. HONG KONG OFFERED TO UNILATERALLY LIMIT ITS
EXPORTS DURING THE FIRST 3 MONTHS OF 1978 IN ORDER TO
ALLOW MORE TIME FOR THE BILATERAL NEGOTIATIONS. ON
3 JANUARY, NORWAY INFORMED HONG KONG OF A NEW LICENSING
ARRANGEMENT EFFECTIVE 1 JANUARY WHICH ALLOWS AUTOMATIC

LICENSING FOR IMPORTS FROM COUNTRIES HAVING BILATERAL AGREEMENTS WITH NORWAY BUT WHICH REQUIRES NORWEGIAN IMPORTERS TO APPLY FOR QUOTA ALLOCATIONS FOR IMPORTS FROM HONG KONG. UNDER THIS ARRANGEMENT, TEXTILE IMPORTS FROM HONG KONG HAVE BEEN CUT BACK 40 PERCENT ON AVERAGE FROM 1976 LEVELS.

3. IN MARCH 1978 AND AGAIN ON MAY 2-3, HONG KONG HELD CONSULTATIONS WITH NORWAY UNDER ARTICLE XXIII:1. NORWAY HAS NOT INVOKED ANY GATT ARTICLE OR OTHERWISE INDICATED UNDER WHICH INSTRUMENT OF INTERNATIONAL TRADE THESE ACTIONS WERE TAKEN. SINCE BILATERAL CONSULTATIONS HAVE PROVEN UNSUCCESSFUL, HONG KONG HAS BROUGHT THE MATTER TO THE COUNCIL UNDER ARTICLE XXIII:2 AND ASKS THAT THE COUNCIL RECONVENE AT AN EARLY DATE TO CONSIDER THIS "URGENT" MATTER. NORWAY (SELMER) EXPRESSED SURPRISE AT HONG KONG'S ACTION IN BRINGING MATTER BEFORE THE COUNCIL SINCE JOINT COMMUNIQUE ISSUED AFTER RECENT BILATERAL CONSULTATIONS INDICATED A WILLINGNESS TO CONTINUE BILATERAL CONSULTATIONS. HE OUTLINED BACKGROUND OF PROBLEM, POINTING OUT THAT IMPORTS OF TEXTILE ITEMS FROM HK HAD INCREASED FROM 210 MILLION KRONER IN 1973 TO 481 MILLION IN 1976 AND REPRESENTED IMPORTS PER CAPITA IN 1976 OF \$22.50, A LEVEL TWO AND ONE-HALF TIMES HIGHER THAN IN THE U.S. OR EC. HE SAID THAT HONG KONG IS THE DOMINANT SUPPLIER OF TEXTILES IN THE NORWEGIAN MARKET AND THAT LIMITED OFFICIAL USE

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SOME FORM OF RESTRAINT HAS EXISTED SINCE THE EARLY 60S. ALTHOUGH THESE RESTRAINTS HAVE BEEN BROADENED IN RECENT YEARS, HONG KONG HAS INCREASED ITS EXPORTS THREEFOLD IN THE LAST THREE YEARS AND HAS INCREASED ITS SHARE OF THE NORWEGIAN MARKET FROM 45 TO 55 PERCENT. THE HEAVY INCREASE IN IMPORTS HAS CAUSED "SERIOUS INJURY" TO NORWEGIAN PRODUCTION. FINALLY, HE CLAIMED THAT THE UNILATERALLY IMPOSED RESTRAINTS ARE TEMPORARY IN NATURE, PENDING THE OUTCOME OF BILATERAL NEGOTIATIONS WITH HONG KONG AND OTHER TEXTILE EXPORTERS.

4. SEVERAL DELEGATIONS SUPPORTED HONG KONG CALL FOR AN EARLY MEETING OF THE COUNCIL. JAPAN ASSOCIATED ITSELF "IN GENERAL TERMS" WITH HONG KONG AND SAID MATTER SHOULD BE DISCUSSED AT NEXT COUNCIL WHILE EXPRESSING HOPE THAT BILATERAL TALKS WOULD CONTINUE. KOREA, NIGERIA, EGYPT AND INDIA ALSO SUPPORTED CALL FOR EARLY MEETING OF COUNCIL. WE SAID THAT IMPORTANCE OF ISSUE MERITED EARLY CONSIDERATION BY THE COUNCIL.

5. EC (LUYTEN), APPARENTLY STILL SMARTING FROM COMPLAINT ON UK SELECTIVE SAFEGUARD ACTION AT LAST COUNCIL BY KOREA,

CHIDED HONG KONG FOR RAISING MATTER UNDER "OTHER BUSINESS," NOTING THAT SIMILAR DEBATE ON SELECTIVITY HAD TAKEN PLACE AT PREVIOUS MEETING OF COUNCIL UNDER "OTHER BUSINESS." HE THOUGHT THAT HONG KONG HAD HAD SUFFICIENT TIME TO HAVE PLACED ITEM ON REGULAR AGENDA AND CALLED GROWING HABIT OF RAISING IMPORTANT ISSUES UNDER OTHER BUSINESS DEPLORABLE.

6. INDIAN DEL (KUMAR) THEN RECALLED THAT PROPOSAL HAD BEEN MADE AT LAST COUNCIL FOR GATT SECRETARIAT STUDY OF BACKGROUND AND USES OF ARTICLE XIX OF THE GENERAL AGREEMENT AND ASKED THAT THE COUNCIL AGREE TO HAVE THIS STUDY UNDERTAKEN. DEBATE BETWEEN THE EC AND SEVERAL LDCS (HONG KONG, INDIA, PAKISTAN AND KOREA) FOLLOWED WITH EC POINTING OUT THAT NO ONE HAD DISCUSSED MATTER SINCE LAST LIMITED OFFICIAL USE

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INFO OCT-01 STRE-00 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
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COUNCIL AND THAT ITEM SHOULD BE PLACED OFFICIALLY ON NEXT AGENDA IF OTHER DELS SO DESIRED. AT ONE POINT EC APPEARED

ISOLATED AND PREPARED TO ALLOW COUNCIL DECISION ON STUDY AS LONG AS EC COMMENTS AT LAST COUNCIL TAKEN INTO ACCOUNT (AT LAST COUNCIL EC HAD SAID THAT SUCH A STUDY SHOULD NOT LIMIT ITSELF TO INTERPRETATION BUT SHOULD ALSO COVER THE PRACTICE IN DEALING WITH ARTICLE XIX TYPES OF SITUATIONS SINCE 1947), BUT NIGERIAN DEL INTERVENED TO SAY HE THOUGHT SUCH A STUDY WOULD BE USELESS AND OF LITTLE VALUE.

7. COUNCIL FINALLY AGREED THAT (A) AN EARLY MEETING OF THE COUNCIL WOULD BE CALLED TO CONSIDER THE HONG KONG COMPLAINT AND (2) THAT THE QUESTION OF A SECRETARIAT STUDY OF ARTICLE XIX ALSO BE ON THE AGENDA FOR THAT MEETING. SORENSON

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